

Utah Money Management Council

350 N. State Street, Suite 180
P. O. Box 142315
Salt Lake City, Utah 84114-2315
(801) 538-1883 (801) 538-1465 Fax
mmcouncil@utah.gov



MONEY MANAGEMENT COUNCIL MEETING
THURSDAY AUGUST 20, 2015
AT THE UTAH STATE TREASURER'S OFFICE
350 NORTH STATE STREET
SUITE 180
3:00 PM

A G E N D A

1. APPROVAL OF MINUTES OF JUNE 18, 2015
2. MONTHLY REPORTS
 - A) Division of Securities
 - B) Department of Financial Institutions
 - C) Deposit and Investment report update
3. REVIEW OF UTAH STATE TREASURER'S JUNE 30 2015 D&I REPORT
4. REVIEW OF LETTER AND INFORMATION REQUESTED FROM UTAH LOCAL GOVERNMENTS TRUST
5. DISCUSS COMPLIANCE PLANS FROM ENTITIES REGARDING CHANGES MADE TO THE MONEY MANAGEMENT ACT BY H.B. 314
6. DISCUSS MODIFIER ON SECURITY RATINGS
7. OTHER BUSINESS AS NEEDED
8. SCHEDULE NEXT MEETING AND ADJOURN

In compliance with the Americans with Disabilities Act, individuals needing special accommodations during this meeting should notify Kathy Wilkey, Administrative Assistant, at Room 180 State Capitol Building, (801) 538-1468.

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US Bank
170 South Main St., Ste 600
Salt Lake City, UT 84101
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Kirt Slauch, Vice Chair
Key Bank
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STATE MONEY MANAGEMENT COUNCIL-MINUTES
THURSDAY JUNE 18, 2015

The regular meeting of the State Money Management Council was held in the Offices of the Utah State Treasurer, 350 North State Street, Suite 180, at 3:00 p.m., Thursday June 18, 2015. In attendance were:

Mark Watkins, Chair
Marina Scott
Doug DeFries
Ann Pedroza, Staff
David Damschen, Deputy State Treasurer
Michele Black, Division of Securities
Tom Bay, Division of Financial Institutions
Michael Green, Attorney General's Office
Stephen Gilles, Attorney General's Office
Steve Hansen, Utah Local Governments Trust
Diane Veltri, Zions Capital Advisors
John Byerly, Zions Capital Advisors
Marcus Nield, D.A. Davidson

Minutes of Meeting

The minutes of the May 21, 2015 meeting were approved unanimously.

Monthly Reports and Quarterly Reports

Securities Division:

Ms. Black distributed the lists for the new quarter which reflects the annual renewal changes. Council reviewed the lists briefly.

Financial Institutions' Report:

Mr. Bay reviewed the July 1, 2015 quarterly certification of public funds allotments for Qualified Depositories. He informed the Council that the allotment for Chase Bank was up quite a bit and that the increase was caused by a temporary increase in deposits considered to be Utah deposits. They will be re-classified and moved to sweep accounts in August, so this will be a temporary increase. He noted for the Council that historically Chase Bank's usage of their allotment is around 4-6%.

Mr. Bay then reviewed the monthly report as of May month end noting that only two institutions still have a reduced allotment and that First Utah Bank's enforcement order release is still in process. Gunnison Valley Bank is at 84% of their allotment usage and he informed the Council that he will send the letter next month reminding them to keep their acceptance of uninsured public funds under the maximum allotment.

Late Deposit and Investment Report Update:

Ms. Pedroza noted for the Council that there are 35 reports that have not been filed for the December 2014. Council discussed this briefly.

Acceptance of Reports:

It was motioned and seconded, and all of the above reports were accepted unanimously.

Discussion with Utah Local Governments Trust regarding their portfolio and surety/insurance

Mr. Hansen briefly introduced himself and informed the Council of what the Utah Local Governments Trust (ULGT) does for public entities in the state. They provide insurance products for over 561 entities in a pooled program. He noted that he was here to discuss their portfolio and why they need a ladder portfolio with securities out past the new five year limit. He informed the Council that they take in premiums today in exchange for a promise to pay "tomorrow" which can be twenty years from now, so they ladder out their portfolio over an extended period of time with the heaviest concentration of that in the mid-range of five to 10 years. He also noted that it is not uncommon for them to have a workman's compensation claim open for 20 years. Because of the nature of what ULGT does Mr. Hansen is asking the Council for an exemption from the five year limitation. Council discussed this with Mr. Hansen. Mr. Watkins asked what regulatory bodies oversaw the Trust and Mr. Hansen informed Council that their board oversees them and additionally, they are audited annually by the Utah State Auditors' office and the Industrial Commission. Mr. Watkins inquired if the entity was rated by any rating agency, and it was noted that it was not but Mr. Hansen indicated that if it were, they would be in the top of the highest rating based on the conservative nature of their investments. Council discussed this with Mr. Hansen at length and asked him to provide financials and the plan for compliance along with a written request for exemption in that plan.

Letter from Fillmore City

Ms. Pedroza noted for the Council that Fillmore City sent in this letter in response to the letter reminding entities to provide a plan for compliance as per the change in 51-7-23. She noted that they have apparently sold all the other long securities but they are asking for an exemption on a UAMPS security that is longer the five years. Council discussed the issue and then asked that they clarify if they are required to hold the bond, as that part of the letter is not clear.

Schedule Next Meeting

The Council then scheduled the next regular meeting for August 20, 2015 at 3:00 p.m. With no other business before the Council, they adjourned at 3:53 p.m.



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
Department of Commerce
Division of Securities

FRANCINE A. GIANI
Executive Director

KEITH WOODWELL
Director, Division of Securities

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Additions to the Certified Dealer List
DATE:	August 20, 2015

The following agents and firms have been added to the existing list for conducting investment transactions with public treasures pursuant to rule 16 of the State Money Management Council.

Jefferies LLC

Agents: Andrew Davidoff

Robert W. Baird & Co.

Agents: Cathleen Gillies



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State of Utah
Department of Commerce
Division of Securities

FRANCINE A. GIANI
Executive Director

KEITH WOODWELL
Director, Division of Securities

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Deletions List Certified Dealer
DATE:	August 20, 2015

The following agents and firms have been deleted from the existing list for conducting investment transactions with public treasures pursuant to rule 16 of the State Money Management Council.

Zions Bank Capital Markets

Agents: Ben Sehy

Zions Direct, Inc.

Agents: Ben Sehy



GARY R. HERBERT
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Lieutenant Governor

State of Utah
Department of Commerce
Division of Securities

FRANCINE A. GIANI
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KEITH WOODWELL
Director, Division of Securities

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Additions to the Certified Investment Adviser List
DATE:	August 20, 2015

The following agents and firms have been added to the existing list for conducting investment transactions with public treasures pursuant to rule 15 of the State Money Management Council.

Morton Asset Management, LLC

Investment Adviser

Representatives: Ben R. Sehy



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
Department of Commerce
Division of Securities

FRANCINE A. GIANI
Executive Director

KEITH WOODWELL
Director, Division of Securities

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Current List Certified Investment Adviser
DATE:	August 20, 2015

The following is the list of Certified Investment Advisers and Investment Adviser Representative(s) effective June 18, 2015:

AllianceBernstein L.P.

Investment Adviser

Representatives:

Joseph E. Brienza	1225 17 th Street, Suite 2900
	Denver, CO 80202
Ward V. Cerny	" "
Shannon M. Spangler	" "

Cutwater Asset Management

Investment Adviser

Representatives:

Mary Donovan	1331 17 th Street, Suite 602
	Denver, CO 80290
Chris Nebenzahl	" "
David Witthohn	" "

Moreton Asset Management, LLC

Investment Adviser

Representatives:

Jordan C. Hansen	101 South 200 East Suite 300
	Salt Lake City, UT 84111
Andrew J. Robbins	" "
Ben R. Sehy	" "
Jason M. Williams	" "

Morgan Stanley

Investment Adviser

Representatives:

Cody C. Adams	60 South Temple
	Salt Lake City, UT 84111

Morgan Stanley cont.

Investment Adviser

Representatives:	Paul Barton	6510 Millcreek Drive, Suite 100 Holladay, UT 84121
	Douglas Felt	60 South Temple Salt Lake City, UT 84111
:	John Hallgren	60 East South Temple Salt Lake City, UT 84111
	Thomas E. Nielson	" "
	Brian Parcell	60 East South Temple Salt Lake City, UT 84111
	F. Bart Reuling	6510 Millcreek Drive, Suite 100 Holladay, UT 84121
	Kenneth Webster	6510 Millcreek Drive, Suite 100 Holladay, UT 84121

PFM Asset Management LLC

Investment Adviser

Representatives:	Richard Babbe	50 California Street Suite 2400 San Francisco, CA 94111
	Lauren Brant	1400 16 th Street, Suite 400 Denver, CO 80202
	Christopher Blackwood	" "
	Ellen Clark	50 California Street Suite 2300 San Francisco, CA 94111
	Emily Ferguson	1400 16 th Street Suite 400 Denver, CO 80202

Soltis Investment Advisors, LLC

Investment Adviser

Representatives:	Hal G. Anderson	20 N. Main Street, Suite 400 St. George, UT 84770
	Kim D. Anderson	" "
	Jeffrey T. Brimhall	3400 Ashton Boulevard, Suite 410 Lehi, UT 84043
	Tyler J. Finlinson	20 N. Main Street, Suite 400 St. George, UT 84770
	Brent D. Moore	3400 Aston Boulevard, Suite 410 Lehi, UT 84043
	James G. Shumway	915 South 500 East #110 American Fork, UT 84003
	Clark V. Taylor	20 N. Main Street, Suite 400 St. George, UT 84770
	William W. Wallace	3400 Ashton Boulevard, Suite 410 Lehi, UT 84043
	Tyler K. Wilkinson	20 N. Main Street, Suite 400

St. George, UT 84770

Zions Capital Advisors, Inc.

Investment Adviser

Representatives:

Greg Aiken

Scott R. Burnett

John R. Byerly Jr.

Gary Mark Hill

Matthew R. Johnson

Alan Last

Brian Moore

Perry Piazza

Diane Veltri

One South Main Street, 12th Floor
Salt Lake City, UT 84133

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465 California Street Suite 100
San Francisco, CA 94133

One South Main Street, 12th Floor
Salt Lake City, UT 84133

Press Release

FEDERAL RESERVE press release



Release Date: June 9, 2015

For release at 11:00 a.m. EDT

The Federal Reserve Board on Tuesday announced the termination of the enforcement action listed below:

First Utah Bank, Salt Lake City, Utah
Written Agreement issued September 23, 2009
Terminated June 2, 2015

[Search of Federal Reserve enforcement actions.](#)

For media inquiries, call 202-452-2955.



Utah's First Capitol

Fillmore City

75 West Center Street

Fillmore, Utah 84631

Phone: (435) 743-5233 • Fax: (435) 743-5195

www.fillmorecity.org

Eugene R. Larsen, Mayor

August 18, 2015

Ann Pedroza
Money Management Council
350 North State Street Suite 180
PO Box 142315
Salt Lake City, Utah 84114-2315

Dear Ms. Pedroza:

You asked for clarification regarding the UAMPS bonds that do not comply with the five year limitation. No we are not required to hold the bonds as part of being a member of UAMPS but they give us an opportunity to recover a portion of the annual debt repayment costs. The 5.5% interest rate on the UAMPS bonds generates over \$50,000 annual revenue which is almost half of our \$110,000 share of the UAMPS annual debt service. This makes good money management sense to us. For this reason we request an exception be made for these two bonds.

The \$750,000 bond matures June 1, 2021, just one year past the five year limit. The \$160,000 bond matures June 1, 2022. Originally this bond was for \$525,000; we sold \$365,000 in an effort to comply with the new regulations. Current market value of the bonds is higher than the market value of the bonds, as reported on the June 30, 2015 Deposit and Investment Report.

We have been committed to investing in Utah bonds but in order to comply, we have sold most of them and put the money back into Federal bonds which have a far lower rate of return.

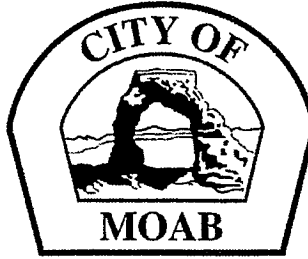
We have more than two-thirds of our reserves in the PTIF account and have not had to withdraw any funds from PTIF since we invested with Wells Fargo Securities eight years ago. The cash flow from the investments has been sufficient to allow us to let our money in the PTIF grow and compound. The new restrictions have forced us into lower interest bonds and our returns will not generate a sufficient cash flow to allow us to continue this practice.

Please let us know if there can be an exception made to keep this valued bond that supports or local financing partners.

Sincerely,

Eugene R. Larsen, Mayor

CITY OF MOAB
217 E CENTER STREET
MOAB UT 84532-2534
MAIN NUMBER (435) 259-5121
FAX NUMBER (435) 259-4135



MAYOR: DAVID L. SAKRISON
COUNCIL: KYLE BAILEY
HEILA ERSHADI
DOUG McELHANEY
KIRSTIN PETERSON
GREGG W. STUCKI

July 16, 2015

Utah Money Management Council
PO Box 142315
Salt Lake City, UT 84114-2315

To Whom It May Concern:

The City of Moab currently has a security out past the five year limit that went into effect on May 11, 2015. It is a bond from the Federal National Mortgage Association with a maturity date of 11/14/22. I have spoken with Ryan Stoker, who is our agent from Wells Fargo Securities regarding this investment. The market value price on the security as of today is 94.15. The principal we would receive is \$188,300.00. We would suffer a loss if we were to cash it in right now. He is going to watch this investment and will let me know if the market price comes to the point we would break even, and then we would sell it.

Let me know if you have other questions.

Thank you.

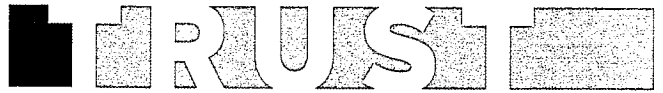
Sincerely,

A handwritten signature in cursive script that reads "Jennie Ross".

Jennie Ross
Moab City Treasurer

UTAH LOCAL GOVERNMENTS TRUST

55 South Highway 89, North Salt Lake, UT 84054
o 801.936.6400 t 800.748.4440 f 801.936.0300 www.utahtrust.gov



July 10, 2015

Mark D. Watkins, Chair
Utah Money Management Council
P. O. Box 142315
Salt Lake City, UT 84114-2315

RE: REQUEST TO SUSPEND MATURITY REQUIREMENTS IN HB314

Dear Council,

This letter is written as a follow-up to my discussion with the Utah Money Management Council on Thursday, June 18, 2015. The Utah Local Governments Trust (Trust) was organized in 1974 as an interlocal agency for the purpose of providing insurance products and services to Utah's cities, towns, counties, and special service districts. The Trust insures 561 members statewide for one or more of its pooled products: Property, Liability, and Workers Compensation, in addition to other ancillary products. The Trust receives premiums today in exchange for our promise to pay claims in the future. Future payments and obligations can extend 20 years or more.

Standard industry practice for insurance carriers is to ladder financial assets well beyond five years as part of an overall strategy to have sufficient financial resources to meet future obligations including but not limited to: claims, growth, change in risk profile, change in coverage, and to smooth the volatility in reinsurance markets. The Trust has followed these industry standards and practices since its formation more than 40 years ago and wishes to continue doing so. I am requesting that the Utah Money Management Council vote to suspend the recent changes in the Money Management Act that would remove the Trust's ability to hold investment maturities beyond five years. I am further requesting that the Utah Money Management Council run a bill in the next legislative session to formally exempt the Trust from these restrictive maturity requirements, allowing us to operate as we have in the past for more than 40 years.

I have attached the following documents including a letter from our consulting actuary to provide additional information that may be helpful as part of your review:

1. Actuary Letter – June 26, 2015
2. Audited Financial Statements – 2014
3. Budget – 2015
4. Investment Report – May 31, 2015
5. Investment Policy – October 26, 2012

Thank you for your consideration. I look forward to hearing from you soon.

Sincerely,

Steven A. Hansen, CEO

MONEY MANAGAEMENT COUNCIL

SUBMISSION OF WRITTEN REPORT REQUIRED BY THE UTAH MONEY MANAGEMENT ACT, AS AMENDED

INTRODUCTION

The passage of HB314 during the 2015 legislative session, which amended the Money Management Act (the "Act"), limits investments by a public treasurer in (k) "bonds, notes, or other evidence of indebtedness of a county, incorporated city or town, school district, or other political subdivision of the state that are payable from assessments or from revenues or earnings specifically pledged for payment of the principal and interest on those obligations, including bonds offered on a when-issued basis without regard to limitations described in Subsection (7)[,] that, unless the funds invested are pledged or otherwise deposited in an irrevocable trust account, have a remaining term to final maturity of: (i) five years or less; or (ii) if the funds are invested by an institution of higher education as defined in Section 53B-3-102, a city of the first class, or a county of the first class, 10 years or less;".

HB314 further amends Section 51-7-23 of the Act (Transition of Investments previously authorized) that (1) Any investment held by a public treasurer that as of June 30, 2015 is not in compliance with the provisions of this chapter is subject to review by the council. (2)(a) No later than July 31, 2015, a public treasurer who holds an investment described in Subsection (1) shall provide to the council a written report that outlines a reasonable plan to bring the investment into compliance. (b) A plan described in Subsection (2)(a) is subject to annual review by the council.

WRITTEN REPORT

The Central Utah Water Conservancy District ("CUWCD") issued its Series B-4 Hydroelectric Revenue Bonds in variable rate format with a weekly rate setting. Liquidity on the Bonds was initially provided by JPMorgan in the form of a Standby Bond Purchase Agreement. In the summer of 2013 the District refunded a substantial portion of the Bonds into a fixed rate format which left \$8,960,000 remaining in variable rate format. This small amount of bonds made it uneconomical for JPMorgan to continue providing liquidity. CUWCD then determined to provide its own liquidity. However, after discussions with Jordan Valley Water Conservancy District, Washington County Water Conservancy District and Weber Basin Water Conservancy District (individually "District" and, collectively, "Districts"), CUWCD placed approximately equal amounts of the Bonds with each District. The Bonds are repriced weekly at a spread to the SIFMA seven day variable rate index.

The Bonds are subject to all of the original terms, conditions and covenants as when they were publicly offered. The original official statement is attached for reference purposes. Most notably, the Bonds are subject to a put back to CUWCD by any District for any reason and without question within 90-days of the notice day. The Bonds have a stated maturity of October 1, 2034 which is the date on or before which CUWCD must pay the Bonds in full. From the perspective of the Districts, the decision making process to acquire the Bonds was predicated upon a variety of factors including the fact that they represented a short-term investment suitable for their General Funds due to their ability to put the Bonds back to CUWCD, at par plus accrued interest within a 90-day period.

Prior to the Districts acquiring the Bonds the following steps were taken by CUWCD and the Districts:

- CUWCD adopted self-liquidity policies
- CUWCD and the Districts consulted with Chapman and Cutler which had acted as bond counsel on the original transaction and which provided advice and documentation on the remarketing of the Bonds to the Districts.
- LYRB, as financial advisor to CUWCD, drafted a financing term sheet which was distributed to the Districts describing, among other things, a description of the project, the pricing mechanism, put option, security features and debt service coverage.
- CUWCD maintained Zions Bank Corporate Trust as paying agent.

THE PLAN

The amendments to the Act related to a limitation on the term of bonds held by public treasurers does not differentiate variable rate bonds from fixed rate bonds. The Districts' position is that, as investors in the Bonds, the "remaining term to final maturity" is moot because they have the right to put the bonds, with a 90-day notice to CUWCD allowing it to make proper arrangements to deliver funds, and CUWCD has the obligation to purchase when so notified. The Districts respectfully request that the Money Management Council ("Council") recognize the unique characteristics of the Bonds and allow the continued holding of the Bonds, so long as the short-term put feature remains in effect. The Districts and/or CUWCD will report to the Council annually to confirm that no change has been made to the structure of the Bonds.